



Jeff Mursau

STATE REPRESENTATIVE • 36TH ASSEMBLY DISTRICT

**Assembly Bill 171
Corn-Fuel tax credit
April 25, 2007**

Representative Jeffery Mursau

Chairperson Hahn and members of the Assembly Committee on Biofuels and Renewable Energy:

Thank you for letting me speak in support of Assembly Bill 171 today.

New technology often prompts legislatures to revamp existing laws and exemptions to catch up with what is happening in the market place. Such is the case with this bill.

While corn is heavily utilized for livestock feed, food products, and more recently for ethanol production, it also is growing in popularity as a source of heat in residential homes.

Corn has become an attractive heat source because it is in plentiful supply. Dry shelled corn is both easily handled by consumers, and contains high heat energy per unit weight. Heating a 2,000 square foot home would require approximately 250 bushels of corn a year.

More and more homeowners are installing devices similar to wood-burning stoves, which generate heat by slowly burning shelled corn. The variety of technology available to consumers offers devices to interchange between fuel types. Other biomass units burn things such as nutshells, cherry pits, and other small grains such as rye, wheat and barley. Some units are designed specifically for corn.

What AB 171 seeks to do is simple. It adds corn to the list of products that are exempt from state, county, and special district sales and use taxes, when they are sold for residential home heating use. That list currently includes coal, fuel oil, propane, steam, peat, fuel cubes produced from solid waste, and wood used for fuel.

Similar legislation has been introduced this year in Iowa and Pennsylvania. Just next door to my legislative district, in Michigan, legislation has been introduced to give tax credits to consumers who buy corn heating devices. There is also a bill there to give a tax credit to the manufacturers of these units for the cost of producing one. The State of Maryland has already done this.

While this bill deals only with corn, the State of Georgia enacted legislation one year ago (HB 1018) that creates an exemption for all biomass materials from the state's sales and use taxes. The term biomass included agricultural crops, plants, trees, wood, wood wastes, corn stalks, aquatic plants, grasses, hulls, shells, and cellulose containing fibers. If it is the desire of this committee, we could expand the bill to include this definition of biomass as well.

Last month the Department of Revenue sent me a technical memorandum about a problem in the drafting of AB 171 as a tax credit. They have since notified me that this issue would not be a problem if the bill becomes a tax exemption. I have offered a substitute amendment to this bill with Rep. John Murtha, which you should have. We ask for your support of that amendment.

In summary, we need to put one of our main agricultural commodities on a level sales tax playing field with other fuel sources. Also, our state is sincere about transitioning into a bio-based economy; then we need to take steps (no matter how small) to further promote and support bio-based technologies. That's why I am offering Assembly Bill 171.

Thank you for allowing me to testify in favor of AB 171 and I'll answer any questions you may have.



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Jim Doyle
Governor

Roger M. Ervin
Secretary of Revenue

Committee on Biofuels and Sustainable Energy Hearing, April 23, 2007

ASA 1 to AB 171 – Exempt Corn Used for Fuel and Sold for Residential Use from Sales Tax (Rep. Mursau)

Description of Current Law and Proposed Change

Under current law, the sale of coal, fuel oil, propane, steam, peat, fuel cubes produced from solid waste, and wood used for fuel is exempt from state, county, and special district sales and use taxes, if such fuels are sold for residential use. Also under current law, virtually all sales of corn are exempt from tax as food for humans, livestock feed, or a manufacturing input.

Under the bill as amended, sales of corn for fuel for residential use would be exempt from sales and use tax.

Fairness/Tax Equity

- Other alternative fuels for residential use enjoy a sales tax exemption. The bill would treat purchases of corn used for fuel for residential use the same as other residential fuels.

Impact on Economic Development

- The demand for corn for fuel is too small to have a perceptible effect on farmers' incomes.
- The new exemption would lower the operating costs of a corn-burning stove. In addition, the exemption may increase awareness of corn-burning stoves.

Administrative Impact/Fiscal Effect

- Administrative costs would be absorbed. The tax decrease would likely be negligible.

DOR Position

- Support. The bill treats corn the same as other alternative fuels.

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